

CITY OF SAN DIEGO
M E M O R A N D U M

ATTACHMENT "C"

DATE: January 9, 2004

TO: Councilmember Donna Frye

FROM: Michael T. Uberuaga, City Manager and Ed Ryan, City Auditor and
Comptroller

SUBJECT: CONVIS

In your memo dated December 23, 2003, you requested information regarding the San Diego Convention and Visitor's Bureau (CONVIS). Specifically, you requested a copy of their current contract with the City, the amount spent for advertising San Diego, salaries, bonuses, travel and car allowances, and food.

We would like to take this opportunity to clarify some of the information that you may have read in the December 21, 2003 Union-Tribune (UT) article regarding CONVIS. Both the City of San Diego and CONVIS provided a significant amount of information regarding CONVIS to the UT in the development of their article. The article neglected to mention all the information that the City requires and gathers from any Transient Occupancy Tax (TOT) recipient including CONVIS. Unfortunately the article led the readers to believe that the City provides money to these organizations with no reporting requirements. In addition, the article led the reader to believe that CONVIS has never been audited. As you can see by the attached audited financial reports, this is not the case.

As you are aware, Council Policy 100-03 provides reporting requirements for those organizations who receive TOT from the City. More specifically, in the City's agreement with CONVIS, CONVIS is required to provide monthly reports on how they are spending the money that they receive from the City as well as quarterly reports regarding program performance. In addition to the monthly financial reports they are required to provide year-end audited financial statements. CONVIS is in compliance with the City's reporting requirements.

In the 1990's, the City Council, City Manager and CONVIS, pursuant to their annual contract and Council Policy 100-03, arranged for an annual audit of CONVIS and all TOT recipients. The year-end financial audit is performed by a Certified Public Accountant to certify that CONVIS has spent City money in accordance with their agreement. The Auditor and Comptroller's Office periodically reviews the audit confirming that CONVIS is providing the audit to the City's TOT contract administrator as required. In addition, the City retains the right to audit separately should it choose to do so.

Per your request, we have attached the current agreement between the City of San Diego and CONVIS. In addition, we have attached Fiscal Year 2003 and Fiscal Year 2002 audited financial reports as provided by CONVIS as required in their current agreement with the City. Using the attached Financial Report for Fiscal Year 2003, the table below reflects how the City's TOT allocation was used in Fiscal Year 2003 in some of the expenditure categories you mentioned in your memo.

CONVIS	FY 2003
Personnel – wages and benefits	\$ 5,388,004
Advertising and Publicity Promotion	\$ 2,693,051
Supplemental Marketing Program	\$ 3,994,370
Travel, Lodging, Meals, Sales Arena	\$ 610,442

We are working with CONVIS to get the expenditures for travel, meals, car allowances and bonuses for Fiscal Year 2003 and we expect to provide this more detailed information to you in February.

Given the degree of concern regarding salary and wages paid to executives, for the Fiscal Year 2005 budget process we will be proposing to the Mayor and Council the amendment to Council Policy 100-03 requiring any organization which receives \$1.0 million or more of Transient Occupancy Tax be required to provide detailed salary and wage information for each of their positions as well as their executive salary packages.

In addition, given the concerns regarding travel expenditures, for the Fiscal Year 2005 budget process we will recommend that the City no longer grant waivers to TOT recipients for use of any of the TOT allocation for travel, meals, lodging or entertainment expenses.

We will also recommend for the Fiscal Year 2005 budget and for future years that travel expenditures, and salaries and wages including executive compensation packages be provided from all City agencies and any organization receiving \$1.0 million or more from the City of San Diego. The City of San Diego agencies include, Convention Center Corporation, Centre City Development Corporation, Southeastern Economic Development Corporation, San Diego Data Processing Corporation and the San Diego Housing Commission.

January 9, 2004
Councilmember Donna Frye
Page 3

Please let us know if you have any questions regarding the information provided.

Michael T. Uberuaga
City Manager

Ed Ryan
City Auditor and Comptroller

Attachments:

- 1) Fiscal Year 2004 Agreement with CONVIS
- 2) CONVIS Fiscal Year 2003 Audited Financial Report

cc: Honorable Mayor and City Council